

INTERNATIONAL CITY MANAGERS' ASSOCIATION

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## INVENTORY CONTROL OF MUNICIPAL PROPERTY

### What is the best organization and procedure for establishing and maintaining inventory control over city-owned real and personal property?

Inventory control of city-owned real and personal property may be defined as the locating of property and the recording and maintaining of information on the acquisition, identification, location, value, condition, and disposition of each property. The investment in public property represents a large municipal expenditure, and adequate property records are not only a fiscal control but also a positive aid to management.

Purposes of Inventory Controls. A current inventory of public property is essential, not only from the standpoint of accounting for physical assets but also as an aid in meeting the requirements of various city departments, as an aid in preventing loss or theft, in establishing proof of loss in case of fire or other destruction, and in the case of land in providing accurate information for the municipal planning agency. Specifically, the major purposes of inventory controls are the following: (1) An analysis of real property owned by each city department reveals any unusually large holdings in excess of present and anticipated departmental needs. Other departments at the same time may lack certain real properties which are essential for their operations. (2) The real property inventory assists in the development of the master plan by showing a complete and accurate record of land and buildings owned by the city; these records can be compared with the long-term real property needs of the city, especially land which must be acquired. The record on tax delinquent land may show certain properties which should be acquired for future developments. (3) The public property inventories bring together in one place all data of ownership, use, location, and identification of city-owned property. (4) The personal property inventory facilitates the interdepartmental transfers of property, brings to light departmental shortages and surpluses, and helps in the planning for future acquisition of property. (5) The personal property inventory assists in preventing theft and misuse and establishes an accurate proof of loss for filing insurance claims. (6) The public property records are the basis for establishing fixed asset accounts.

Organization for Property Control. One city employee should be given authority and responsibility for maintaining the inventory of city-owned real and personal property. A large city with considerable landholdings and a variety of personal property may have a special property control office, probably established as a division of the finance department. A small city can assign inventory work for city property to the finance officer, city clerk, or purchasing agent.

The property control officer or property control division should maintain inventory records for all city-owned real property and for most but not necessarily all city-owned personal property. In Long Beach, California, for example, the personal property inventory does not include public library books which are carried as a part of the regular library card catalog system (which is subject to audit by the city auditor).

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Like purchasing and motor equipment management, the control of city property is a part of the job of the city's chief administrator and should be either under his control or under the control of a responsible finance officer who is subject to his direction. Property control should not be the responsibility of line or operating departments. On the other hand, the only interest of the property control officer is to maintain accurate records on the acquisition, movement, and disposition of property. He should not have any authority over operating officials except to require conformance with uniform property control regulations. Instead, he should be a service officer trying to assist operating officials by arranging for loans and transfers of equipment and assisting them in the acquisition, salvaging, or junking of equipment and other personal property.

Original Real Property Inventory. The first step in the establishment of real property control is a complete inventory of all land, buildings, and improvements owned by the city. Such an inventory often will reveal properties that have not been recorded, deeds that have been lost, public properties that are being used by private individuals without payment of rent, and other undesirable or even illegal uses of city-owned land and buildings. Such a property inventory requires preparation of the complete history of each building and parcel of land owned by the city.

Several steps should be taken by the property control officer to establish the real property inventory: (1) Check assessment maps, city street maps, and utility maps for property ownership. (2) Search for and inspect property deeds. (3) Interview city employees--especially in the public works or engineering departments for information as to city-owned land and buildings. (4) Review current tax rolls for property descriptions that have not been assessed and therefore may be city-owned property. (5) Check delinquent tax rolls for properties that have been acquired by the city. (6) Review city council proceedings for the purchases and sales of land and buildings and for resolutions accepting gifts for the city. (7) Check city utility records for land, buildings, and property easements. (8) Check special assessment tax rolls for land acquired for public purposes.

While the property control officer is proceeding with the original inventory, the city building inspector or an employee from his office should check all improved properties and note the amount of repair needed on each building and structure, or whether the building should be demolished. Repairs and demolition work should then be done by special crews from the department of public works. Also at this time employees from the city planning agency should inspect each lot and check against the city plan map to verify future needs of the city, particularly with regard to street, water, sewer, and drainage rights-of-way. Rights-of-way should be retained, not only for existing utility and street systems but also for those that will be needed in the future.

Real Property Records. As the real property inventory work proceeds, an index or ledger card should be prepared for each parcel of land owned by the city. The ledger card contains a small scale diagram of the property with the location of any buildings. It also shows a deed description of the property, the date of purchase, the price, the grantor, a reference to the appropriation ordinance, the purpose for which purchased, a brief description of the building or buildings on the land, the utilities and other services available at the site, and reference numbers to various maps and files in city, county, and school district records. The property ledger card should contain all information needed to satisfy normal inquiries and should show those properties which are owned by the city but not used at present for a public purpose. In San Diego, California,



the property ledger includes in addition a photograph of buildings on the property, a photostatic copy of the property deed, and spaces for recording additions and retirements to the property, appraisals, and insurance valuations. Ledger cards should be prepared for property which is leased as well as owned by the city, and all easements should be shown whether surface or subsurface. It may be necessary to prepare a cross reference index for easements which will refer back to the ledger cards.

The second basic real property record is an envelope or file folder containing copies of council resolutions, insurance policies, court awards in cases of condemnation, official acts of the city council accepting land, and other basic documents and correspondence relating to the parcel of land. This envelope or folder also should contain a large-scale section map of the property. For example, a city park would be shown on the map with only the fractions of parcels of privately owned land and city streets contiguous to the park, and the various buildings and structures within the park.

The third essential record is a file of maps showing the general location of all city-owned real estate. If the city does its own property assessment work and has a set of accurate and current tax maps, then these should suffice for purposes of real property inventory. If the county does assessment work and maintains good assessment maps, it may be possible to have an extra set made for the use of the city so that the property control officer can mark on these maps the location of city property. A third alternative would be to use plat maps which have been prepared by subdividers and locate the city land on those maps. It is not necessary to show the location of buildings and improvements on these maps. Therefore, these maps should be of a scale to show only land parcels. Every effort should be made to have these maps tie in with tax maps used for the city.

Maintaining Real Property Records. Real property records should always reflect the city's holdings in land, buildings, and improvements. The property control officer annually should visit each site owned by the city to verify his records. The way in which city real property is used should be carefully checked to prevent unauthorized or illegal uses of property. If city or county assessment work is done reasonably well it may be possible to have this annual real property inventory done by employees from those offices. The property control officer, however, must be responsible for the original inventory and should spot check by physical inspection if his inventory is done by the assessing department.

Administrative regulations of the city should provide that any city department purchasing real property must report all information to the property control officer necessary for him to establish and list the property in his property ledger records. The annual budget (especially the capital budget), appropriation ordinances, and council resolutions will serve as the sources of intended purchases which must be watched by the property control officer. Any land or buildings which are given to the city should be acknowledged by city council resolutions and listed on property ledger records. The property control officer should work with the purchasing agent in buying real property by supplying information on present city holdings, original cost, location, and so on.

Control of Personal Property. Personal property for purposes of inventory control must be carefully defined to eliminate supplies, parts, and other small and nondurable items. The items of personal property that should be included in the inventory have all the following characteristics: (1) They have an expected normal useful life of one year or more. (2) They must belong to one of the general classes of property which are usually considered as fixed assets in accordance with gener-

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ally accepted accounting practice. In other words, they must be fixed assets when defined as items of more or less permanent property necessary to the operation of an enterprise. (3) They must not be consumed, unduly altered, or materially reduced in value in their use. (4) They must have a unit cost of \$50 or more. The value of \$50 is an arbitrary one which city officials may want to make higher or lower in defining personal property. Mississippi State College, for example, defines personal property as units having a value of \$2.50 or more, and Long Beach, California, sets the value at \$5 or more. It depends to some extent upon the size of the city and the degree to which the management wants the inventory control to cover city property.

It may be necessary or desirable to make certain exceptions to the central inventory of personal property. The definition of personal property, as given above, will automatically exclude many small items of personal property. In addition, there are three other types of exceptions that can be made to the central inventory of personal property.

First, it may not be necessary to maintain central records of the many small tools used by city garages and shops. It may be possible for each using department to maintain its own inventory records and transmit to the property control officer at the time of annual inventory a listing of these tools with the name of the item, a description, the manufacturer, the original cost, and the location.

Second, it may not be necessary to maintain central inventory records on personal property which can only be used by one city department. Examples of this would be certain types of fire fighting equipment, library books, and certain machinery and equipment used by utilities.

Finally, it is not necessary for the city to maintain central inventory records over privately owned property which is used on the job by city employees. A primary example of this would be the privately owned tools used by city employees in the building trades. Nevertheless, the department concerned should maintain records of such privately owned property which is used on city work and should transmit to the property control officer at the time of annual inventory a listing of such property, showing the name of the item, description, manufacturer, approximate value, location, and the individual owner. This procedure of course is for the employees' protection as well as for the city records.

Original Personal Property Inventory. As was the case in establishing real property control, it will be necessary to make a physical inspection and listing of all city-owned personal property to establish the inventory control.

Probably the simplest way to conduct the original inventory is to send uniform work sheets to each city department with written instructions to the department heads for conducting the inventory and returning the listings to the property control officer as of a certain date. The instructions indicate that the department should list the serial or manufacturer's number, the general description of the piece of property, its condition, the purchase date (if known), and the physical location of the equipment. These departmental listings are then submitted to the property control officer for his verification and for the establishment of the actual central inventory record.

In a large city the verification of departmental listings will require several field teams of two men each for the actual inspection. The two-man field teams probably will be supervised by a chief clerk in compiling the information. Pricing or cost clerks, checkers, typists, and key punch operators also will be



needed in the property control office. A medium-sized or small city does not require all of this staff and may use city employees, perhaps from the purchasing or finance office, to do the work on a part-time basis over a period of several weeks.

The field teams are assigned to departments by the property control officer. One man on each team is designated to be in charge, while the junior member serves as recording clerk. The team should work on a systematic basis by first surveying the actual location of the property and using a starting point from which the team can go from object to object, checking in regular order so they will not have to go over the same ground again. Since the main job is verification, the team of course will use the departmental listing and check items and verify them as they are located. Where possible, the following items of identification should be recorded or verified for each piece of personal property: object number, objective name, department, location, manufacturer's serial number, and description.

The senior member of the team will call off the items of information, and the junior member will verify and record on the departmental listing. A permanent inventory identification number (object number) is assigned and affixed to the property corresponding to the object number previously recorded.

Essentially the same procedure should be followed in conducting the annual inventory of city-owned personal property as is followed for the original inventory, except that employees will use property ledger cards because the inventory records have already been established. With these inventory cards the inspection teams should check each item of personal property with the personal property records, particularly to verify its location and condition. If the property has been transferred to another department a transfer request number should be secured and the new location of the property verified and the property records corrected. Any differences between inventory listings and the actual existence of property must be reconciled with departmental officials. If missing property is not quickly located or otherwise accounted for, then the inspection teams should simply note these cases and refer them back to the property control officer for him to take whatever action may be necessary.

Personal Property Records. The heart of the record system for controlling personal property is the property ledger listing each piece of personal property owned by the municipality. The ledger may take one of several forms, either a separate card for each piece of property or a columnar ledger listing each piece of equipment by major groups. Smaller cities will find the card system easier to handle and more practical. For example, a 3x5 card can be used showing information on both sides with more important items of information placed on the front side of the card. The following information should be recorded for all items of personal property:

**Object number:** The identifying inventory number permanently marked upon the equipment as it is recorded in the inventory. The number is not used again following disposition of the property but is retained as an all-time record of it. A desirable method of numbering personal property is discussed in a subsequent section of this report.

**Objective name:** The standard name of the property which assures uniform nomenclature for all city-owned personal property, no matter where located.

**Department:** The official name of the office, board, department, or bureau owning the equipment.

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**Location:** The place where the equipment is actually located. This should be a specific address like "Room 213, City Hall".

**Manufacturer's serial number:** The serial number placed upon the property by the manufacturer to distinguish it as a particular piece of equipment. This number should not be confused with the model, style, or type number on the equipment. Many items of personal property will not have a manufacturer's serial number but where possible it should be recorded.

**Description:** A description of the property in sufficient detail to aid positively in its identification.

**Purchase date:** The date of the invoice of purchase, or if this cannot be found, the date the property was recorded on the inventory records.

**Cost:** Either the authenticated original cost or a carefully determined replacement cost.

In addition some cities will find it desirable to enter the following information on the card with regard to each item of personal property: date received, requisition number, purchase order number, and estimated life. Other possible items are:

**Revised cost:** The value of the item after it has been overhauled or otherwise changed, thus adding to or deducting from its original value.

**Cost revisions:** A description of the additions to or deductions from the value of the property.

**Sources:** The source of funds for buying the item, whether current revenue, bonds, gifts, or other sources.

**Disposition:** A notation as to whether the item was sold, traded, junked, or retired to city salvage. Information also can be included as to dollar amount if the item was sold or traded in and the date of disposition.

The individual property record card may take the form of a tabulating or punched card. Portland, Oregon, developed a property ledger tabulating card which is extremely useful when thousands of pieces of equipment must be covered. Each card shows the objective name, department name, department number, address, ledger number, vendor's name, vendor's address, manufacturer's name, manufacturer's number, voucher number, purchase date, cost, and a description of the object. The card also provides sufficient space to show its disposition. Information covering the object number, objective name, department number, classification, purchase date, and cost are punched into the card for sorting, classification, and listing.

**Maintaining Personal Property Records.** The first essential in maintaining a current inventory of personal property is the annual inventory--a responsibility of the property control officer. Just after the close of the fiscal year, clerks from his office should proceed to the physical inspection and verification of personal property listings as was described above for the original property inventory.

The inventory control on equipment should be kept up to date by a continuous reporting and record checking system. Property may be acquired by purchase,



construction, gifts, and other methods and may be disposed of by retirement, sale, or trade-in or by junking. In addition, inter-departmental transfers, while not affecting city ownership, will change departmental and central inventory records. Every piece of property should clear through the records of the property control officer before it is moved from its authorized location. Continual checking of purchase orders is essential to determine those orders that may result in the addition of inventory items. When new equipment is accepted by the purchasing department, the property control officer should assign an object number, enter an original cost, and make an inventory card from the entries on the purchase record. The department owning the equipment should be instructed on the method of labeling the equipment.

If any property is built in the city shops, the requisitioning department should send its request to the city shops, which would issue a job order. One copy is sent to the property control officer who checks whether that item is not already in storage. If stored property is available, then the property control officer should notify the shops to stop construction. If no property is available from storage, then the work order is approved, and the job order indicates both labor and material costs with one copy of the job order sent to the property control officer. No construction of any equipment or other property should be undertaken without an approved job order.

All gifts received by the city should be acknowledged by city council resolution, particularly if the gift must be counted as an inventory item. The receiving department or division immediately should send a memorandum to the property control officer stating the following information: the objective name of the item, description, manufacturer's serial number, estimated value, name of the donor, and council resolution number, if any. From that point, the property control officer can record the item in the permanent inventory.

A system should be established for removing property from the inventory control system when it is sold, traded, junked, or retired to surplus stocks or salvage. The department head usually decides on the disposition, but in case of doubt he should check with the property control officer. In each case the department head fills out an appropriate retirement request form specifying reasons. In practice the property usually is worn out or obsolete. Copies of the request should be sent to the property control officer as well as to the city manager who would then approve the retirement of the item. The property control records would then be brought up to date by deducting the property from the records. If the city operates central storage or salvage facilities, then the property control officer authorizes removal of the property to their storage facilities at the department's expense.

When property is retired by sale or trade-in the department head also must fill out a retirement request form and send the copies to the purchasing agent. In the event a trade-in is desired, the department head must prepare a purchase requisition at the same time. The purchasing agent requests quotations on the item either as a trade-in or sale and arranges for either a trade-in or a sale to the best financial advantage of the city. Once a sale is completed, the property control officer deducts the old item and adds the new item in the master inventory record.

Properties may be brought out of storage and placed back in service. Departmental officials should ask the property control officer what is available before purchasing new items and conversely the property control officer should circularize



information on property available from storage. The property control officer should prepare appropriate inventory records as items are placed back in service.

Methods of Numbering and Labeling Personal Property. The numbering system should be planned to facilitate control over city-owned personal property. Each piece of personal property should have a permanent identification or object number. This number is assigned permanently to the property and is not duplicated by any other object number in the personal property inventory. The object number is retired from use when the property is sold, junked, or otherwise disposed of.

The object number has two components: (1) use or purpose and (2) identification or serial. An inventory control number requiring only an identification component cannot provide city management with a tabulation by type to prevent excessive accumulation of property. To classify property according to use, the municipality should group all items with similar characteristics and assign a code number for each type. For example, all typewriters, or all dictaphones, or all executive type desks can be assigned a classification number. It is not enough to group clocks, typewriters, adding machines, and the like under the heading "office equipment." After use or classification, the object number is completed by addition of the identification or serial number. For example, the object numbers for all 151 city-owned typewriters might be as follows:

<u>OBJECT NUMBER</u>	
92	001
92	002
<u>USE</u>	:
	:
92	151
	<u>IDENTIFICATION</u>

Several methods of marking personal property are available to city officials. Some of them are economical when used for a large number of items and expensive when used for a small number. A combination of marking methods is usually necessary. The better known methods of marking are decalcomania transfers, metal tags, stencils, glass acids, small die punches and hammers, electric etchograph, electric stylus, laundry tags and india ink, plus such other methods as rubber stamps, branding irons, plain stickers, and tags. Decalcomania transfers can be used to mark more types of property than any other marking device and provide a means of identification which is relatively permanent. Metal tags can be cut and numbered in city shops or in local metal working shops. Choice of the types of labels should be made by the property control officer. All labels should be mounted uniformly on similar types of property.

Note: One of the first steps a city should take in establishing inventory control over real and personal property is to write instructions for department heads and to develop basic record forms. Officials of cities subscribing to MIS may obtain loan copies of typical inventory forms and instruction sheets. When a city has set up systematic control procedures, the property control officer should prepare a manual of instructions to be issued by the chief administrator as a guide in the acquisition, transfer, and disposition of property and the taking of annual inventory.

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